

TEST PAPER

BUSINESS ECONOMICS

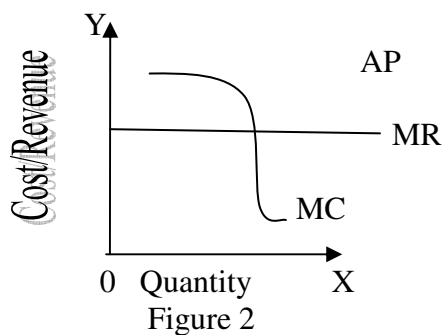
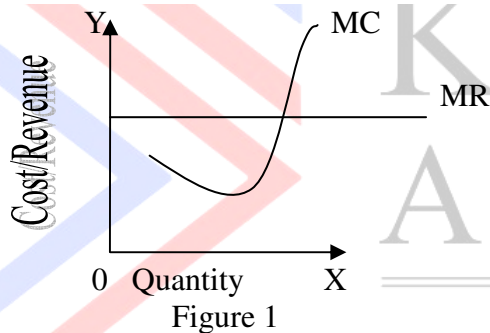
1. In a perfect competition, the firm will be in equilibrium when.....
 - (A) $MC = MR$
 - (B) The MC curve should cut MR curve from below
 - (C) Either (a) or (b)
 - (D) Both (a) and (b)
2. The short run average cost curve (SAC) is
 - (A) L-Shaped
 - (B) U-Shaped
 - (C) C-Shaped
 - (D) T-Shaped
3. If under perfect completion, the price line lies below the average cost curve, the firm would.....
 - (A) Make a normal profit
 - (B) Incur losses
 - (C) Make abnormal profit
 - (D) None of above
4. In the production theory, the optimum level of output is represented at a point where –
 - (A) Fixed factors begin
 - (B) Average product curve begins to fall
 - (C) Marginal product becomes zero
 - (D) Average product becomes zero
5. Increasing returns to scale are obtained when –
 - (A) Fixed factors being to yield increasing marginal returns
 - (B) Proportionate increase in output is more than the proportionate increase in inputs.
 - (C) The total output reflects an erratic behavior
 - (D) None of the above.
6. A monopoly firm faces a for his product.
 - (A) Negatively sloped demand curve
 - (B) Demand curve which is parallel to X-Axis
 - (C) Demand curve which is parallel to Y-Axis
 - (D) None of above
7. Market for mobile phone-sets in India demonstrates the characteristics of a –
 - (A) Perfectly competitive market
 - (B) Oligopoly
 - (C) Monopsony
 - (D) Monopoly.
8. Match the following:

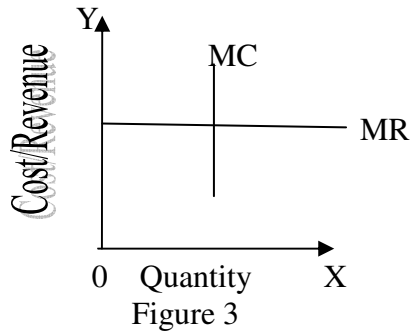
X. Fall in quantity demanded of a commodity with increase in income	(i) Complementary goods
Y. A rise in quantity demanded of a commodity due to a fall in its price	(ii) Decrease in demand
Z. A fall in quantity demanded of a commodity due to a fall in the price of substitute good	(iii) Expansion in demand
W. If price of diesel falls, demand for	(iv) Inferior good

diesel-run cars will increase

The correct option is –

- (A) X(iv); Y(iii); Z(ii); W(i)
 - (B) X(iii); Y(ii); Z(i); W(iv)
 - (C) X(ii); Y(i); Z(ii); W(iv)
 - (D) None of the above.
9. A kinked revenue curve best represents –
- (A) Monopoly
 - (B) Duopoly
 - (C) Oligopoly
 - (D) Monopolistic competition.
10. Given below is the short-run cost-sheet of a perfectly competitive firm, at equilibrium level of output:
- Average variable cost = Rs. 9 per unit
Average fixed cost = Rs. 2 per unit
- The firm would be well advised to continue to produce if the per unit market price of the commodity is –
- (A) Rs. 6
 - (B) Rs. 7
 - (C) Rs. 8
 - (D) Rs. 10
11. Which of the following figures best represents the profit being earned by a perfectly competitive firm?





Correct option is –

- (A) Figure 1
 - (B) Figure 2
 - (C) Figure 3
 - (D) None of the above.
12. Which one of the following is not true about the Indian economy?
- (A) Indian population has been rising
 - (B) Output of cereals has been rising
 - (C) Rate of growth of India's population has been rising
 - (D) The share of work force engaged in agriculture has been falling.
13. Current account deficit of a country measures the excess of –
- (A) Monetary value of exports of merchandise over the monetary value of imports of merchandise
 - (B) Monetary value of imports of goods over the monetary value of exports of goods during a year
 - (C) Monetary value of imports of goods and services over the monetary value of exports of goods and services
 - (D) Receipts of foreign capital over withdrawal of foreign capital.
14. If the rate of inflation falls down from current 8% to 6%, the price of your favourite ice-cream may –
- (A) Fall
 - (B) Rise
 - (C) Remain unchanged
 - (D) None of the above.
15. Which of the following figures correctly represents the revenue curves of a monopolistic competitive firm?

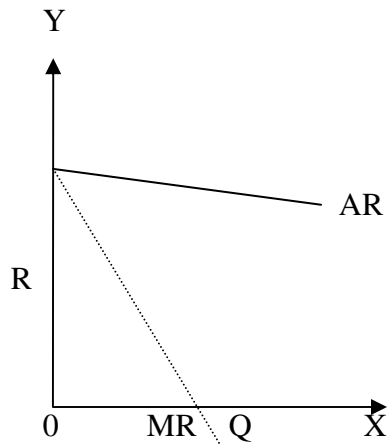


Fig. 1

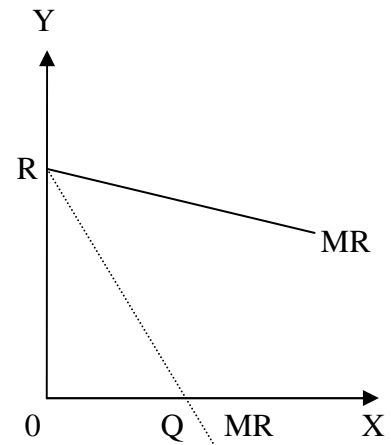


Fig. 2

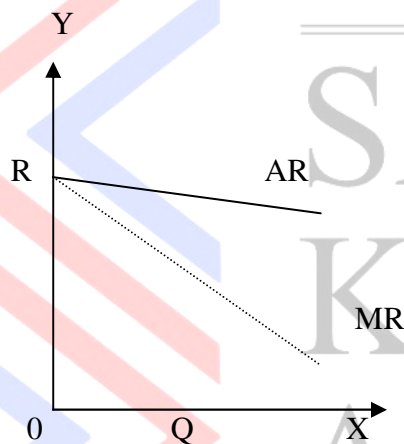


Fig. 3

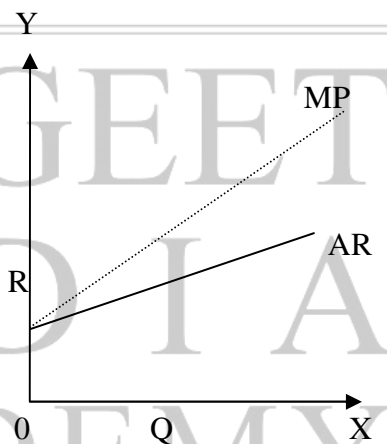


Fig. 4

The correct option is –

- (A) Figure 1
- (B) Figure 2
- (C) Figure 3
- (D) Figure 4.

16. Economics is.....

- (A) Science
- (B) An Art
- (C) Science and an art
- (D) Psychology

17. We mainly study the following in Micro-Economics:

- (A) Economic conditions of a section of the people
- (B) Study of firms
- (C) Location of industry
- (D) All of above

18. Micro and macro are not two independent approaches to economic analysis but they are complementary to each other.

- (A) False
(B) True
(C) Partly true
(D) Partly false
19. Which of the following is a commercial bank in India
(A) UTI
(B) IFCI
(C) IBRD
(D) SEBI
20. 'Government should increase expenditure on social services to benefit the poor'. Which one of the following represent the correct reason that establishes that the above given statement is a normative statement?
(A) It states the facts as they are
(B) It passes a value judgment
(C) It states that there is a direct relationship between public expenditure and poverty alleviation
(D) It states that poverty cannot be removed by market forces.
21. Arrange the following in proper form: Stages as Economics developed as a subject:
I. Material Welfare Definition
II. Wealth Definition
III. Development and Growth Definition
IV. Scarcity and Choice Definition
(a) II, I, IV, III.
(b) I, II, III, IV
(c) IV, III, II, I
(d) II, III, I, IV
22., considered to be the founding father of economics.
(A) George Bernard Shaw
(B) Adam Smith.
(C) Alfred Marshall
(D) A.C.Pigou
23. Which of the following is the regulator for telecommunication sector in India?
(A) TRAI
(B) IRDA
(C) RBI
(D) PFRDA.
24. In economic theory, utility can be measured by:
(A) Cardinal Approach
(B) Ordinal Approach
(C) Either (a) or (b)
(D) None of above
25. During the year 2013, the real gross domestic product of a country increased by 8% over the preceding year. During this year population of the country also got increased by 1.6%. In that particular country, the rate of growth of per capital income during 2013 would be –
(A) 6.4%
(B) 9.6%
(C) 5.0%

(D) 12.8%

26. Match the following:

- X. Growth oriented definition of Economics
Y. Government should reduce taxes to promote growth
Z. Supply of a commodity is less than the quantity demanded at a zero price
W. Second largest populated country (iv) Scarcity

- (i) Normative statement
(ii) India
(iii) Paul Samuelson

The correct option is –

- (A) X(iii); Y(i); Z(iv); W(ii)
(B) X(iv); Y(iii); Z(ii); W(i)
(C) X(i); Y(ii); Z(iii); W(iv)
(D) X(ii); Y(iii); Z(iv); W(i)

27. The concept of indifference curve to explain consumer's equilibrium was propounded among others by –

- (A) Alfred Marshall
(B) John R Hicks
(C) Paul A Samuelson
(D) Amartiya Sen.

28. The price of a commodity rises by 5%, its quantity demanded falls by 10%. It implies that a 10% fall in the price of the commodity will result in –

- (A) 5% rise in quantity demanded
(B) 10% rise in quantity demanded
(C) 20% rise quantity demanded
(D) Indeterminate.

29. Which of the following tables represents diminishing returns to scale?

(In the tables – K stands for Capital, L for Labour and TP for Production)

The correct option is –

Table 1			Table 2			Table 3			Table 4		
K	L	TP	K	L	TP	K	L	TP	K	L	TP
1	2	10	1	2	10	1	2	10	1	2	10
2	4	30	2	4	20	2	4	18	2	4	50
4	8	100	4	8	40	4	8	35	4	8	200

The correct option is –

- (A) Table 1
(B) Table 2
(C) Table 3
(D) None of the above

30. Which of the following is positive statement?

- (A) Wage rate in Pune should be Rs. 200 per day.
(B) Wage rate in Pune is Rs. 200 per day.
(C) Tax should be reduced.
(D) What should be the level of national income?

31. Under Production Theory, the expression

$Q_x = f(L, K)$ represents –

- (A) Demand function
(B) Revenue function
(C) Cost function
(D) Production function.

32. We mainly study the following in Macro-Economics:
- (A) National income and output
 - (B) General price level
 - (C) Balance of trade and payments
 - (D) All of above
33. An economic problem arises primarily due to scarcity of resources is best reflected in the market supply of –
- W. Wheat and rice
 - X. Sand at sea shore
 - Y. High-brand jewellery
 - Z. Free air.
- Correct option is –
- (A) WX
 - (B) XZ
 - (C) WY
 - (D) YZ.
34. What is India's rank in world population
- (A) First
 - (B) Second
 - (C) Third
 - (D) Fourth
35. Birth rate/ Death rate is number of births/ deaths
- (A) Per 100
 - (B) Per 1,000
 - (C) Per 10,000
 - (D) None of these
36. India's present population is
- (A) Between 50 and 60 crore
 - (B) Between 60-70 crore
 - (C) Between 70-80 crore
 - (D) Above 100 crore
37. In the theory of demographic transition in the last stage
- (A) Birth rate rises death rate rises
 - (B) Birth rate falls death rate rises
 - (C) Birth rate rises, death rate falls
 - (D) Birth rate falls, death rate falls
38. WTO has established on
- (A) 1-1-1991
 - (B) 2-3-1992
 - (C) 1-1-1995
 - (D) 2-3-1997
39. FERA stands for
- (A) Foreign Export Revaluation Act
 - (B) Funds Exchange Resource Act
 - (C) Finance and Exports Regulation Association
 - (D) Foreign Exchange Regulation Act
40. FEMA stands for-
- (A) Foreign Exchange Management Act
 - (B) Funds Exchange Management Act

- (C) Finance Enhancement Monetary Act
(D) Future Exchange Management Act
41. Variable reserve requirements are
(A) SLR
(B) CRR
(C) Both (A) and (B)
(D) None of these
42. Bank rate, open market operations, changes in reserve requirements are
(A) Qualitative controls
(B) Quantitative controls
(C) Combination of (A) and (B)
(D) Neither (A) nor (B)
43. Population explosion occurs in _____ stage of the theory of demographic transition
(A) First
(B) Second
(C) Third
(D) Fourth
44. Which of the following is/are non-currency forms of money?
(A) Cheques
(B) Credit cards
(C) Debit cards
(D) All of above
45. _____ exercises a monopoly over issuing bank notes in the economy.
(A) The Central Government
(B) The State Government
(C) The Central Bank
(D) The State Bank of India
46. The RBI was nationalized on.....
(A) January 1, 1935
(B) January 1, 1949
(C) January 1, 1950
(D) January 1, 1956
47. The head office of the central bank is in.....
(A) Delhi
(B) Kolkata
(C) Madras
(D) Mumbai
48. The Central Bank has..... offices across the country.
(A) 22
(B) 25
(C) 28
(D) 30
49. The "law of diminishing returns" applies to:
(A) The short run, but not the long run.
(B) The long run, but not the short run.
(C) Both the short run and the long run.
(D) Neither the short run nor the long run.
50. When inputs are increased in a given proportion and output increases in the same proportion it is a case of.....

- (A) Decreasing returns to scale
- (B) Constant returns to scale
- (C) Increasing returns to scale
- (D) All of above

51. If decreasing returns to scale are present, then if all inputs are increased by 10% then:.....

- (A) Output will increase by more than 10%.
- (B) Output will increase by less than 10%.
- (C) Output will increase by 10%.
- (D) Output will also decrease by 10%.

52.are those cost which do not change with change in output.

- (A) Variable cost
- (B) Fixed cost
- (C) Semi-variable cost
- (D) Semi-fixed cost

53.are those cost which changes in same proportion with change in output.

- (A) Variable cost
- (B) Fixed cost
- (C) Semi-variable cost
- (D) Semi-fixed cost

54. Symbolically, average fixed cost can be written as:

(A) $AFC = \frac{TVC}{Q}$

(B) $AFC = \frac{Q}{TFC}$

(C) $AFC = \frac{TMC}{Q}$

(D) $AFC = \frac{TFC}{Q}$

Use the following data to answer next 3 questions.

Total output (Units)	0	10	20	30
Total cost (Rs.)	100	200	290	390

55. As per above Table, Fixed cost = ?

- (A) 200
- (B) 150
- (C) 290
- (D) 100

56. As per above Table, variable cost at 0 unit of output = ?

- (A) 0
- (B) 100
- (C) 90
- (D) 190

57. As per above Table, variable cost at 10 unit of output = ?

- (A) 0
- (B) 100
- (C) 90
- (D) 190

58. What is the probability of getting a sum of 9 from two throws of a dice?
 (A) $1/9$
 (B) $2/9$
 (C) $1/36$
 (D) $1/3$.
59. Mutually exclusive events mean –
 (A) No event can be expected to occur in preference to any other event in the same experiment
 (B) Events which can be decomposed further into elementary events
 (C) The occurrence of one event prevents the occurrence of other event in the same experiment
 (D) Events which are independent of one another.
60. A bag contains 6 black and 8 white balls. One ball is drawn at random. The probability that ball drawn is white will be –
 (A) $1/14$
 (B) $1/7$
 (C) $3/7$
 (D) $4/7$.

61. Given are the Country-X's exports (in Rs. Crores) to different regions between April, 2012 and February, 2013:

Region	Europe	Asia	America	Africa
Exports	31,516	42,516	23,495	5,133

- Which of the following region has 18° in the Pie Chart –
 (A) Europe
 (B) Asia
 (C) America
 (D) Africa.
62. Arrange the following stages of a statistical enquiry in proper order:
 (I) Organisation and presentation of data
 (II) Interpretation of data
 (III) Collection of data
 (IV) Analysis of data.
 (A) (III), (I), (IV), (II)
 (B) (I), (II), (III), (IV)
 (C) (IV), (III), (II), (I)
 (D) (II), (I), (III), (IV).
63. One of the following is a secondary source of data –
 (A) Collection of demographic data from your neighborhood
 (B) Data collected by an investigator from the shops selling coffee seeds
 (C) Output data related to the production of wheat from the World Bank Reports
 (D) Counting the number of persons visiting a shrine on a particular day.
64. In a moderately asymmetrical distribution, Arithmetic mean = 50, and Mode = 37.5. The value of median will be –
 (A) 45.83
 (B) 42.15
 (C) 43.20
 (D) 44.00.

65. The sum of deviations of a set of observations is zero when the deviations are taken from their –
(A) Mode median
(B) Median
(C) Arithmetic mean
(D) None of the above.
66. The mean and standard deviations of 10 observations are 35 and 2 respectively. If each observation is increased by 4, the changed mean and standard deviation respectively will be –
(A) 35 and 2
(B) 40 and 4
(C) 39 and 2
(D) None of the above.
67.refers to systematic and logical arrangement of data in columns and rows:
(A) Collection
(B) Tabulation
(C) Observation
(D) Classification
68. _____ refers to that measure of central tendency which bifurcates the whole series into two equal parts one consisting of lower and another higher/greater than it:
(A) Mode
(B) Arithmetic Mean
(C) Median
(D) Quartile
69. It is the value of variate which occurs maximum number of times in any distribution:
(A) Median
(B) Mode
(C) Geometric Mean
(D) Harmonic Mean
70. The most useful measure of dispersion is:
(A) Range
(B) Quartile Deviation
(C) Mean Deviation
(D) Standard Deviation
71. If a card is drawn at random from a pack of 52 cards, what is the chance of getting a king of hearts?
(A) $\frac{4}{13}$
(B) $\frac{5}{13}$
(C) $\frac{4}{26}$
(D) $\frac{1}{52}$
72. A card is drawn from a well-shuffled pack of playing cards. The probability that it is a spade is.....
(A) $\frac{1}{13}$
(B) $\frac{1}{4}$
(C) $\frac{3}{13}$
(D) None
73. An annuity which continues forever (infinite number of years) is called.....
(A) Contingent Annuity
(B) Deferred Annuity
(C) Perpetual Annuity

- (D) Annuity certain
74. Tanishka deposited Rs. 50,000 in a bank for two years with the interest rate of 5.5% p.a. How much interest would she earn?
(A) 6,000
(B) 5,250
(C) 55,500
(D) 5,500
75. In what period, the compound interest on Rs. 30,000 at 7% per annum amounts to Rs. 4,347 –
(A) 2 years
(B) 3 years
(C) 1.5 years
(D) 4 years.
76. Statistics in singular sense means-
(A) Inferential Statistics
(B) Statistical data
(C) Statistical methods
(D) Inductive statistics
77. Which of the following is the law of Statistics:
(A) Law of small numbers
(B) Law of integers
(C) Law of random numbers
(D) Law of statistical regularity
78. Statistics deals with:
(A) Qualitative data
(B) Quantitative data
(C) Voluminous data
(D) None of the above
79. Statistics is affected by:
(A) One factor
(B) None factor
(C) Reasonable causes
(D) Multiplicity of causes
80. Which of the following is not a stage of statistical enquiry or investigations:
(A) Analysis of data
(B) Collection of data
(C) Modification and manipulation
(D) Organizing and presentation
81. Data collected for the first time by the investigator himself is termed as :
(A) Collected data
(B) Primary data
(C) Secondary data
(D) Investigator's data
82. Which of them is not an appropriate base for classification:
(A) Geographical
(B) Quantitative
(C) Graphical
(D) Quantitative

83. Diagrammatic representation consisting of any circle divided into sectors, proportional to values is known as:
- (A) Bar chart
 - (B) Histogram
 - (C) Pie Chart
 - (D) Line Chart
84. Which of the following is an example of mathematical average.
- (A) Median
 - (B) Mode
 - (C) Quartile
 - (D) Geometric Mean
85. Relative measures of dispersion is popularly known as:
- (A) Measure of Central tendency
 - (B) Absolute Dispersion
 - (C) Redundancy
 - (D) Coefficient of dispersion



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ANSWERS

1. (d)	2. (b)	3. (b)	4. (c)	5. (b)	6. (a)	7. (b)	8. (a)	9. (c)	10. (d)
11. (a)	12. (b)	13. (c)	14. (a)	15. (a)	16. (c)	17. (d)	18. (a)	19. (a)	20. (b)
21. (a)	22. (b)	23. (a)	24. (c)	25. (c)	26. (a)	27. (b)	28. (c)	29. (c)	30. (b)
31. (d)	32. (d)	33. (c)	34. (b)	35. (b)	36. (d)	37. (d)	38. (c)	39. (d)	40. (d)
41. (c)	42. (b)	43. (b)	44. (d)	45. (c)	46. (b)	47. (d)	48. (a)	49. (a)	50. (b)
51. (b)	52. (b)	53. (a)	54. (d)	55. (c)	56. (a)	57. (b)	58. (a)	59. (c)	60. (d)
61. (d)	62. (a)	63. (c)	64. (a)	65. (c)	66. (c)	67. (b)	68. (c)	69. (b)	70. (d)
71. (d)	72. (a)	73. (c)	74. (d)	75. (a)	76. (c)	77. (d)	78. (b)	79. (d)	80. (c)
81. (b)	82. (c)	83. (c)	84. (d)	85. (d)					



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